

## Message Text

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ACTION NEA-10

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9548

INFO AMCONSUL ALEXANDRIA POUCH

C O N F I D E N T I A L CAIRO 1063

EO 11652: GDS

TAGS: EGEN EG

SUBJECT: RUMORS OF CABINET CHANGES IN ECONOMIC SECTORS

SUMMARY: IF CURRENT RUMORS ARE CORRECT, A CABINET RESCHUFFLE IS IN THE OFFING. ECONOMIC SECTORS ARE EVIDENTLY ONLY ONES AFFECTED. KEY FIGURES OF CABINET, AS WELL AS BASIC FOREIGN AND DOMESTIC POLICY, ARE NOT EXPECTED TO BE CHANGED. END SUMMARY.

1. OVER PAST SEVERAL MONTHS, RUMORS HAVE BEEN CIRCULATING OF IMPENDING CABINET RESHUFFLE AFFECTING ECONOMY. WHILE STORIES OF DISSATISFACTION WITIN EGYPT OVER PERFORMANCE OF VARIOUS MINISTERS IS ENDEMIC. EMBASSY BELIVES CURRENT CROP OF RUMORS IS BASED ON FACT. RECENT STUDENT DISTURBANCES (SEPTTEL) GIVE FURTHER IMPETUS TO CABINET CHANGE, A TIME-HONORED GOE PLOY TO BUY TIME.

2. MAJOR DOMESTIC CONCERN OF GOE IS THE ECONOMY, IN PARTICULAR PROVISION OF NECESSARY CONSUMER COMMIDITIES TO POPULATION AND IMPLEMENTATION OF OPEN-DOOR POLICY. IT WAS BECAUSE OF SHORTAGES IN THE FORMER AND LACK OF PROGRESS IN THE LATTER, ACCORDING TO PRESIDENT SADAT, THAT PRESENT CABINET WAS INSTALLED IN APRIL 1975. CONSISTENT LACK OF PROGRESS IN DEALING WITH THESE PROBLEMS IS SOURCE OF MOST OF RUMORS CONCERNING FORTHCOMING RESHUFFLE.

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3. EVEN ALLOWING FOR NECESSARY TIME TO SHAKE DOWN INTO JOB BEFORE ANY MINISTER CAN MAKE VISIBLE CHANGES IN AREEAS FOR WHICH HE IS RESPONSIBLE, PERFORMANCE OF MINISTRIES INVOLVED WITH MAJOR ECONOMIC ASPECTS OF COUNTRY (FINANCE, ECONCOOP, PLANNING, SUPPLY, INDUSTRY, TRADE) HAS NOT BEEN WITHIN NORMAL PARAMETERS THAT WOULD HAVE BEE, AND EVIDENTLY WERE EXPECTED. POPULATION STILL COMPLAINS OF SHORTAGES (ALTHOUGH NOT AS SERIOUS AS THOSE OF LATE 1974) RISING PRICES, GROWING GAP BETWEEN POOR AND RICH, AND INCREASING NUMBER OF LATTER. AT SAME TIME OPEN-DOOR HAS NOT SUCCEEDED IN ATTRACTING ANY SIGNIFICANT INVESTMENTS, NOR HAS THERE BEEN MUCH PROGRESS EVEN IN WORKING OUT EFFECTIVE PROCEDURES UNDER WHICH THEY MIGHT TAKE PLACE. THUS, MANY OBSERVERS FEEL THAT SADAT WILL BE REQUIRED TO ANNOUNCE SOME RE-ORGANIZATION OF GOVERNMENT IN ORDER TO EXPLAIN LACK OF PROGRESS AND SET ORGANIZATIONAL STAGE FOR FORWARD MOVEMENT. AT SAME TIME, HE MAY MAKE A FEW ADDITIONAL CHANGES THAT WILL REFLECT OTHER FAILINGS, BOTH PERSONAL AND ORGANIZATIONAL, AMONG THE 36 MEMBERS OF THE CABINET.

4. CURRENT SPECULATION IS BUILT BASICALLY AROUND FOLLOWING SHIFTS:

A. DR. HAFIZ GHANIM, DEPUTY PM/MIN HIGHER EDUCATION, WILL BE SHORN OF HIS MINISTRY ALTHOUGH HE WILL RETAIN HIS DEPUTY PREMIERSHIP.

B. MINECON/COOP, SHAFAT WILL MOVE TO CENTRAL BANK, REPLACING AHMAD ZENDU WHO IS TO RETIRE. SHAFAT PLACE WILL BE TAKEN BY HAMID AL SAYIH, CHAIRMAN, NATIONAL BANK OF EGYPT.

C. MINSUP SHAZLI, WHO HAS BEEN IN OFFICE SINCE LATE 1974, HAVING REPLACED MAN HELD RESPONSIBLE FOR CRISES RESULTING FROM SHORTAGES AT THAT TIME, WILL LEAVE CABINET. HE HAS BEEN ROUNDLY CRITICIZED IN PEOPLE'S ASSEMBLY AND PRESS FOR HIS INABILITY TO CONTROL RISING PRICES AND IMPROVE SERVICES OF CONSUMER COOPS. IN RECENT APPEARANCE BEFORE ASSEMBLY, HE WAS CONDEMNED FOR HAVING BASED HIS APPEAL TO BUTCHERS TO HOLD DONW MEAT PRICES ON NEED TO DO SO IN ORDER PROTECT HIS JOB. APPEAL FAILED.

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D. MINPLANNING ABDAL-RAHMAN, LONG RUMORED TO BE THOROUGHLY DISGUSTED WITH MINIMAL ROLE FOR HIS MINISTRY, IS ONE OF THOSE WHO REPORTEDLY WANTS OUT.

E. MINTRADE AB AL-FATTAH, WHO HAS COME UNDER INCREASINGLY STRONG CRITICISM FOR HIS FERVENT SPONSORSHIP OF "OWN CURRENCY IMPORTS" (IMPORTATION WITHOUT CURRENCY TRANSFER) AND PROGRAMS

UNDER WHICH PRIVATE SECTOR CAN COMPETE WITH PUBLIC SECTOR ON ALMOST ENTIRE RANGE OF IMPORTS FOR GOE, HAS REPORTEDLY BECOME TOO CONTENTIOUS FOR RETENTION. UNLIKE ABD AL-RAHMAN, HE APPEARS TO WANT TO STAY.

F. MINFIN ABU ISMAIL, WHO IS BEING ATTACKED MORE BY FELLOW BUREAUCRATS THAN PUBLIC (WHICH IS BASICALLY UNFAMILIAR WITH WHAT HE IS DOING), HAD ALIENATED COLLEAGUES WITH HIS LACK OF DRIVE AND FORCEFULNESS. WHILE THIS IS PERHAPS RESULT OF GOE'S POOR ORGANIZATION, INABILITY OF FINMIN TO PLAY MAJOR ROLE IN MANAGING EGYPT'S LIMITED RESOURCES IS PLACED AT HIS DOOR.

G. MININD SHAHIN, FOR WHOM PM HAS DEVELOPED A DISLIKE AS AN ABSTRUCTIONIST ON QUESTION OF FOREIGN INVESTMENT, IS PRIME CANDIDATE FOR REPLACEMENT.

5. COMMENT: EMBASSY HAS PREVIOUSLY REPORTED THAT SADAT WOULD BE FORCED TO MAKE AT LEAST COSMETIC CHANGES IN CABINET, WHICH HAS NOT PERFORMED UP TO EVEN MINIMAL EXPECTATIONS. EARLIER RUMORS HAD EVENT TAKING PLACE PRIOR TO END OF YEAR, BUT NECESSITY OF GETTING PLAN/BUDGET THROUGH ASSEMBLY MADE US DISCOUNT SUGGESTED TIMING. PRESENT PUBLIC DISCONTENT AND DISAPPOINTMENT (SEE SEPTTEL) LEND CREDENCE TO CURRENT STORIES, WHICH PLACE CHANGE IN NEXT WEEK OR TWO.

6. PREDICTABLY, IN CURRENT CROP OF RUMORS, THERE ARE ALSO SUGGESTIONS OF CHANGES IN AT LEAST TWO KEY CABINET POSITIONS. ONE STORY HAS IT THAT MAMDUH SALIM WILL BE REPLACED BY FAHMY AS PRIMIN. THIS IS CERTAINLY WHAT FAHMY ASPIRES TO. ANOTHER SUGGESTS THERE IS SUFFICIENT DISSATISFACTION WITH FAHMY, BECAUSE OF HIS ABORTIVE ARAB POLICY, THAT HE WILL BE REPLACED AS DEP PRIMIN/FONMIN.  
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SO FAR AS WE CAN TELL, THESE STORIES HAVE NO SUBSTANCE. BOTH MAMDUH SALIM AND FAHMY SEEM TO RETAIN THE PRESIDENT'S CONFIDENCE. THEY MAY SOMETIMES GRATE ON EACH OTHER, BUT MUST PERFORCE CONTINUE TO WORK TOGETHER.  
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